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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
	)	
Implementation of Section 309(j)	)	PP Docket No. 93-253
of the Communications Act	)	
Competitive Bidding	)	
Treatment of Designated	)	
Entities	)	

To: The Secretary

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EX PARTE PRESENTATION

MasTec, Inc. submits an original plus one copy of this memo and the attached letter (sent ex parte to Ms. Karen Brinkmann) for inclusion in the record of the above referenced rule making proceeding.

Respectfully submitted,

Matthew L. Leibowitz
Counsel for MasTec, Inc.

May 25, 1994

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May 25, 1994

Via Facsimile and Overnight Delivery

Ms. Karen Brinkmann, Special Assistant
Office of the Chairman
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

Per our telephone conversation yesterday, I am forwarding you by this letter a generic financial cost analysis of constructing a Personal Communications System (PCS) for Miami. Please note that this cost analysis does not include the price of the acquisition of the frequencies through the auction process or any operating costs. While the analysis was done for the Miami MTA and inclusive BTAs, we believe it is a fair generic representation of most major markets around the country. As you will note, the analysis includes the following variables: a 30 MHz system, 20 MHz systems and 10 MHz systems. In addition thereto, each frequency block is then divided into the Miami MTA and the major BTAs that are included within the MTA (but not all of the BTAs).

The significant conclusion that can be drawn from this analysis is that the cost of construction alone even for the smallest alternative, i.e., a 10 MHz block on the Miami BTA basis is in excess of $33,000,000. I think it is fair to state that this will exceed the financial capacity of any Designated Entity that is interested in pursuing participation of PCS in Miami. While it is true that the cost for the smaller BTAs are significantly less, such as a system in Fort Pierce which would only cost a little over $3,000,000, when viewed on a potential subscriber basis as a stand alone operation, this is simply an invitation for economic disaster. Thus, one must fairly conclude that the operating assumption by some Designated Entities that they want the FCC to establish the smallest possible set-aside to ensure their ability to independently own and operate a PCS system is simply not economically feasible. Furthermore, I believe that any PCS system without at least approximately 30 MHz of spectrum will be difficult to finance.

I would also like to advise you that in light of the recent concerns that have been expressed by the FCC staff on the constitutionality of set-asides, we are in the process of preparing an updated constitutional legal Memorandum discussing the constitutionality of set-asides. This Memorandum is being prepared by Arthur England who is the former Chief Justice of the Florida Supreme Court. A copy of the Memorandum will be forwarded to you within the next few days.

In this context, it is critical that the FCC focus on the evaluation of whether or not any bidding credit is economically the functional equivalent of a set-aside. We strongly believe that the answer is no. This belief is supported by the fact that it is overwhelmingly likely that the major telecommunications entities in this country, including MCI, Sprint, and the various Bell operating companies, will overbid the value of the frequencies due to their own strategic needs. Thus, just as we saw in the Paramount acquisition, the real market value and the ultimate acquisition cost will be very significant. While it is true that Paramount represented the last major studio available, it is also true that neither Mr. Diller nor Viacom required Paramount for economical survival. This is not the case when it comes to PCS. Most Bell operating companies and long distance carriers view PCS as critical to the economic survival. Thus, not only will they overbid the fair market value, as was the case in Paramount, but I think it is safe to say that when it comes to survival they will bet the ranch if necessary. Accordingly, it is simply impossible to, at this stage, estimate what a necessary bidding credit will be in order to overcome the anticipated economic survival overbidding. Thus, bidding credits are simply not the functional equivalent of set-asides. As a result, bidding credits cannot fulfill the Congressional mandate to ensure that Designated Entities participate in PCS.

If you have any questions regarding the economic analysis or the aforementioned arguments, please feel free to call me.

Pursuant to FCC rules and regulations, I will file with the Office of the Secretary an appropriate Ex Parte Memorandum of this letter.

Sincerely yours,

Matthew L. Leibowitz
Counsel for MasTec, Inc.

MLL/mdr

Enclosure

cc: Jorge Mas Canosa, MasTec, Inc.

	MTA vs BTA Costs					
		CDMA				
		30MHz				
	Miami MTA	Miami BTA	Ft Myers	Ft Pierce	Naples	West Palm
Sites	215	121	20	11	16	46
Base	21560000	12100000	2000000	1100000	1600000	4600000
Year 1	17560000	9450000	1600000	975000	1500000	3625000
Year 2						
Year 3		75000				
Year 4						
Year 5	6625000	4650000	225000	525000	75000	1350000
Year 6	4875000	2700000	150000	150000	525000	1350000
Year 7	2775000	1725000	300000	75000	150000	525000
Year 8	4200000	2625000	300000	375000	75000	825000
Year 9	4050000	2625000	225000	450000	75000	675000
Year 10	4200000	2475000	150000	225000	300000	1050000
Eq Total	$65,975,000	$38,425,000	$6,150,000	$3,975,000	$4,300,000	$14,200,000
Site Const	9875000	5445000	900000	495000	720000	2070000
Towers	2840500	1703000	230750	123500	188500	585000
Transmission	4300000	2420000	400000	220000	320000	920000
Shelters	1610000	801250	201250	115000	162500	315000
Engineering	2580000	1452000	240000	132000	192000	552000
Site Total	$21,005,500	$11,821,250	$1,972,000	$1,085,500	$1,583,000	$4,442,000
Total Cost	$86,980,500	$50,246,250	$7,122,000	$4,960,500	$5,883,000	$18,642,000
Operational costs are not included in the above numbers						
The above data was obtained from a report "PCS Market Demand and System Engineering"						
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Economic and Management Consultants International, Inc. (EMCI)						

	MTA vs BTA Costs					
		CDMA				
		20MHz				
	Miami MTA	Miami BTA	Ft Myers	Ft Pierce	Naples	West Palm
Sites	215	121	20	11	16	46
Base	21[illegible]000	12100000	2[illegible]000	1100000	1600000	4600000
Year 1	17500000	9450000	1600000	975000	1500000	3825000
Year 2						
Year 3						
Year 4						
Year 5	1200000	1050000	75000			75000
Year 6	1725000	1200000		150000	75000	300000
Year 7	1[illegible]000	120000	150000	75000		525000
Year 8	2[illegible]000	1650000		375000	75000	450000
Year 9	2775000	1575000	75000		225000	900000
Year 10	1875000	1050000	75000	75000	225000	450000
Eq Total	$51,125,000	$28,196,000	$4,175,000	$2,750,000	$3,700,000	$11,125,000
Site Const	9675000	5445000	900000	495000	720000	2070000
Towers	2840500	1703000	230750	123500	188500	585000
Transmission	4300000	2420000	400000	220000	320000	920000
Shelters	1610000	801250	201250	115000	162500	315000
Engineering	2580000	1452000	240000	132000	192000	552000
Site Total	$21,005,500	$11,821,250	$1,972,000	$1,085,500	$1,583,000	$4,442,000
Total Cost	$72,130,500	$40,016,250	$6,147,000	$3,835,500	$5,283,000	$15,567,000
Operational costs are not included in the above numbers						
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	MTA vs BTA Costs					
		CDMA				
		10MHz				
	Miami MTA	Miami BTA	Ft Myers	Ft Pierce	Naples	West Palm
Sites	215	121	20	11	16	46
Base	21500000	12100000	2000000	1100000	1600000	4600000
Year 1	16125000	9450000	1500000	975000	1500000	3825000
Year 2						
Year 3						
Year 4						
Year 5						
Year 6						
Year 7						
Year 8						
Year 9						
Year 10						
Eq Total	$37,625,000	$21,550,000	$3,500,000	$2,075,000	$3,100,000	$8,425,000
Site Const	9675000	5445000	900000	495000	720000	2070000
Towers	2840500	1703000	230750	123500	188500	585000
Transmission	4300000	2420000	400000	220000	320000	920000
Shelters	1610000	801250	201250	115000	162500	315000
Engineering	2580000	1452000	240000	132000	192000	552000
Site Total	$21,005,500	$11,821,250	$1,972,000	$1,085,500	$1,583,000	$4,442,000
Total Cost	$58,630,500	$33,371,250	$5,772,000	$3,160,500	$4,683,000	$12,867,000
Operational costs are not included in the above numbers						
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	MTA vs BTA Costs					
	CDMA					
	Subscriber Assumptions					
	Miami MTA	Miami BTA	Ft Myers	Ft Pierce	Naples	West Palm
	30 MHz	20 MHz	20 MHz	20 MHz	20 MHz	20 MHz
		10 MHz	10 MHz	10 MHz	10 MHz	10 MHz
Year 1	4307	1434	147	99	39	439
		596	61	41	16	181
Year 2	10231	3378	356	241	95	1043
		1407	149	101	40	435
Year 3	34303	11225	1230	826	329	3541
		4677	512	344	137	1475
Year 4	69612	22575	2555	1712	686	7275
		9406	1065	714	287	3031
Year 5	126190	40550	4741	3170	1284	13350
		16896	1975	1321	535	5562
Year 6	183480	58405	7054	4705	1922	19843
		24335	2939	1961	801	8185
Year 7	213659	67375	8408	5594	2303	23150
		28073	3503	2331	960	9646
Year 8	240346	75059	9579	6423	2685	26348
		31275	4032	2676	1111	10978
Year 9	264301	81757	10552	7211	3018	29319
		34066	4538	3005	1257	12216
Year 10	290235	89652	12282	8077	3405	32552
		37022	5097	3365	1419	13563
The above data was obtained from a report "PCS Market Demand and System Engineering"						
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